

## Message Text

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ACTION EUR-12

INFO OCT-01 EB-07 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 /084 W

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R 211011Z MAR 75

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 9474

INFO AMEMBASSY COPENHAGEN

AMEMBASSY STOCKHOLM

AMEMBASSY LONDON

USEC BRUSSELS 1098

USMISSION OECD PARIS

C O N F I D E N T I A L OSLO 1181

E.O. 11652: GDS

TAGS: ENRG, NO

SUBJECT: AMOCO DECISION NOT TO DEVELOP SOUTHEAST TOR FIELD AND  
DHEVRON WITHDRAWAL

REF: OSLO 1127

1. KNUT DAEHLIN, THE SENIOR OIL OFFICIAL IN THE MINISTRY  
OF INDUSTRY, TOLD E/C COUNSELOR THAT HE WAS NOT SURPRISED  
THAT THE AMOCO/NOCO GROUP HAD DECIDED NOT TO DEVELOP THE  
SOUTHEAST TOR FIELD AT THIS TIME. BOTH HE AND THE HEAD OF  
AMOCO NORWAY CONFIRMED THAT PRINCIPAL REASON WAS LACK OF  
CAPACITY IN EKOFISK PIPELINES. AMOCO STRESSED INACCURACY  
OF PRESS TREATMENT BLAMING DECISION MAINLY ON NORWAY'S  
NEW SPECIAL (EXCESS PROFITS) TAX PROPOSAL. WHILE TAX  
PROPOSAL WAS A FACTOR, AMOCO WOULD PROBABLY HAVE GONE  
AHEAD IF PIPELINE CAPACITY WAS AVAILABLE. IT WAS  
NOT ECONOMICAL TO DEVELOP THE FIELD BASED ON COSTLY  
TANKER LOADING OR SEPARATE PIPELINES. AT  
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PRESENT AMOCO STILL PLANS TO DEVELOP FIELD LATER IF

PIPELINE CAPACITY BECOMES AVAILABLE OR IF OTHER FINDS IN AREA PROVE LARGE ENOUGH TO JUSTIFY CONSTRUCTION OF SEPARATE PIPELINE SYSTEM WHICH FIELD COULD UTILIZE. MEANWHILE DEVELOPMENT OF FIELD WAS MERELY SUSPENDED.

2. ON CHEVRON WITHDRAWAL, DAEHLIN EXPRESSED REAL DIS-APPOINTMENT OVER CHEVRON DECISION BUT COMMENTED THAT WITHDRAWAL MIGHT HAVE BENEFICIAL SIDE EFFECT OF CONVINCING PARLIAMENT TO EASE TERMS OF NEW SPECIAL TAX WHICH HE THOUGHT TOO TOUGH. CHEVRON WAS ONLY NEW COMPANY TO BE OFFERED CONCESSION IN LAST ROUND OF AWARDS. DAEHLIN HAD HIGH REGARD FOR COMPANY AND SAID THAT WITHDRAWAL SHOULD NOT PROJUDICE ITS CHANCES OF OBTAINING FUTURE CONCESSIONS.

3. DAEHLIN SAID THAT THE NORWEGIAN GOVERNMENT WOULD LOOK FOR A COMPANY TO REPLACE CHEVRON AND THAT SEVERAL COMPANIES HAD ALREADY EXPRESSED INTEREST. THE AGREEMENT WITH CHEVRON WAS NEGOTIATED DURING THE HEIGHT OF THE FUEL DIFFICULTIES LAST YEAR, AND IT MIGHT BE NECESSARY TO RELAX THE TERMS OF THE CONCESSION TO GET A FIRST CLASS, FINANCIALLY STRONG COMPANY TO PARTICIPATE IN THE DIFFICULT DEEP WATER OF THE CONCESSION AREA. HE ANTICIPATED THAT A REPLACEMENT FOR CHEVRON WOULD BE SELECTED WITHIN A FEW MONTHS.

4. A DIRECTOR OF THE NORWEGIAN PRIVATE SECTOR OIL COMPANY, SAGA, WHICH HAS A 15 PERCENT INTEREST IN BLOCK 35/3 FROM WHICH CHEVRON WITHDREW, CONFIRMED THAT NORWAY'S NEW SPECIAL TAX WAS RESPONSIBLE FOR CHEVRON'S WITHDRAWAL. CHEVRON HAS TOLD THE FINANCE COMMITTEE OF PARLIAMENT BEFORE WITHDRAWING THAT SPECIAL PROVISIONS SHOULD BE MADE IN THE PROPOSED SPECIAL TAX FOR DRILLING IN DEEP WATER OR OTHER DIFFICULT CONDITIONS WHERE COSTS ARE HIGH AND DIFFICULT TO PREDICT. (OTHER COMPANIES CLAIM THAT THE SAME PROVISIONS SHOULD APPLY TO MARGINAL FIELDS.)

5. SAGA ALSO DENIED REPORTS THAT IT DID NOT WISH A LARGER PERCENTAGE OF THE BLOCK. SAGA AND CHEVRON HAD CONFIDENTIAL

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AGREED THAT SAGA WOULD BE RESPONSIBLE FOR EXPLORATORY DRILLING IN THE BLOCK, ALTHOUGH STATOIL, THE THIRD PARTNER, OR CHEVRON WOULD TAKE OVER DEVELOPMENT OF ANY COMMERCIAL DISCOVERIES. SAGA WILL GO AHEAD WITH ITS DRILLING PLANS AND WILL HAVE A VOICE IN SELECTION OF A NEW PARTNER TO REPLACE CHEVRON.  
BYRNE

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NNN

## Message Attributes

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